



### **Renting Property on Official Travel & Leasing to Department Official Travelers**

In order to provide flexibility in the choice of residence quarters during official travel, particularly long-term training and medical travel, the Department of State allows employees to rent apartments, homes and other lodging on a long-term basis.

**The Bureau of the Comptroller and Global Financial Services (CGFS)** has prepared this information to provide travelers with information and regulatory guidance regarding long-term rentals and the requirements of both the travelers and property landlords. It is our hope that this information will assist in ensuring proper, timely travel processing and accurate lodging reimbursements.

### **How is an employee reimbursed when renting long-term?**

When the employee rents a room, apartment, house, or other lodging on a long-term basis (e.g., weekly, monthly), the following expenses may be considered part of the lodging cost:

1. The rental cost for a furnished dwelling; if unfurnished, the rental cost of the dwelling and the cost of appropriate and necessary furniture and appliances (e.g., stove, refrigerator, chairs, tables, bed, sofa, television, or vacuum cleaner);
2. Cost of connecting/disconnecting and using utilities;
3. Cost of reasonable maid fees and cleaning charges;
4. Monthly telephone use fee (does not include installation and long-distance calls); and
5. If ordinarily included in the price of a hotel/motel room in the area concerned, the cost of special user fees (e.g., cable TV charges and plug-in charges for automobile head bolt heaters).

**Reminder:** Lodging reimbursement is based on the actual amount that was paid for the claimed period that does not exceed the authorized lodging portion of per diem.

## **Renting from Family, Friends and Department Employees:**

Renting from private individuals is not prohibited, but employees must be careful when arranging for this type of accommodation. Per Department Policy, when renting a property from any private individual including colleagues, friends or relatives, or any Department employee, while on official business, including permanent change of station and Medevac, they must be able to show that:

1. That the individual is in the business of renting property and that the property involved is rented regularly;
2. That the rental income is claimed by the individual as income and reported as such to the IRS; and
3. And that the transaction is at “arms length” between the employee and the other person. This means a lease is signed no different than that of the landlords other tenants - a regular business transaction.

**Reminder:** The best evidence that a business arrangement is involved is the demonstration of a continuing practice of the individual renting the property for an established price and that the property has been and is available to the general public.

## **Front-Loaded Leases:**

Calculation of lodging reimbursements during long-term TDY travel is as follows:

- For the initial 60 days of temporary duty in one location, the employee will be reimbursed the daily locality rate based on the lodgings-plus per diem system. Lodging receipts will be required for all temporary lodging.
- For the 61st through the 120th day of temporary duty, the employee may be reimbursed at a daily locality rate not to exceed 50 percent of the lodging and 50 percent of the M&IE per diem rate;
- For the 121st day and succeeding day(s) of temporary duty, the employee may be reimbursed at the daily locality rate not to exceed 25 percent of the lodging and 25 percent of the M&IE per diem rate.
- This reduction in per diem prompts some travelers to enter into sliding-scale or “front-loaded” leases, in which rent is higher in the early periods and lower in later periods. This type of lease is not prohibited, but must specify actual rent that was paid for each period. Reimbursement of lodging during periods of long-term training is based on the terms of the lease and proof of payment.
- Addendums to a lease which describe payment terms not in keeping with the terms of the lease are not basis for reimbursement.

## **Be a Prudent Traveler:**

Please be reminded that rent amounts must be reasonable and reflect the prevailing rent amounts for the area. Per 14 FAM 561.2 (Exercising Care in Incurring Expenses) “An employee traveling on official business is expected to exercise the same care in incurring expenses that a prudent person would exercise if traveling on personal business and expending personal funds. Excess costs, circuitous routes, delays, or luxury accommodations and services unnecessary or unjustified in the performance of official business are not acceptable under this standard. Employees will be responsible for excess costs and any additional expenses incurred for personal preference or convenience”.

## **References:**

- **Federal Travel Regulation 301-11—Per Diem Expenses**
- **14 FAM 575—Per Diem While on Temporary Duty**
- **14 FAM 561.2—Exercising Care in Incurring Expenses**
- **CGFS Knowledge Base Article 35020—Regulations regarding lodging per diem for long-term training**

\*Information from the listed resources as of January 8, 2015

\* If you have any questions about this material, please contact the CGFS Office of Policy, Don Covington, at 202-663-2087